

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 18, 2003

In Reply Refer To:
Northwest Pipeline Corporation
Docket No. RP02-116-001

Northwest Pipeline Corporation
P.O. Box 58900
Salt Lake City, UT 84158-0900

Attention: Billie L. Tolman
Manager, Tariffs and Regulatory Analysis

Reference: Compliance Filing Dated January 23, 2002

Dear Ms. Tolman:

1. On January 23, 2002, Northwest Pipeline Corporation (Northwest) filed substitute tariff sheets¹ to comply with a January 2, 2002 Commission order approving implementation of Rate Schedule DEX-1, subject to conditions and further review (January 2 Order). The tariff sheets also modify Northwest's proposal in the underlying filing with respect to whether DEX-1 shippers are assessed in-kind reimbursement for fuel and lost-and-unaccounted-for gas, and ACA and GRI surcharges. As discussed below, the tariff sheets are accepted effective January 1, 2002, as requested, and subject to further compliance, as described in this order.

2. Northwest describes DEX-1 service as a way to increase its system balancing gas at one storage location without using mainline capacity to transport working gas from another storage location. After determining the amount of gas it needs, Northwest posts an offer inviting bids for a corresponding quantity of DEX-1 service. Shippers may bid either a recourse rate or a negotiated rate. The transaction begins when Northwest receives gas through an in-ground transfer from the shipper's account to Northwest's account at the storage facility where balancing gas is needed (Target Storage Facility). Northwest then delivers a thermally equivalent quantity in daily increments through in-ground transfers to the shipper's account at a different Northwest storage facility (Deferred Exchange Storage Facility) over the term of the DEX-1 service agreement.

¹Listed in the Appendix.

Alternatively, Northwest makes daily increments of gas available to the shipper at the receipt point of the Deferred Exchange Storage Facility.

3. Northwest initially proposed to exempt DEX-1 service from ACA and GRI surcharges as well as in-kind fuel reimbursement collected through its fuel tracking mechanism. Northwest reasoned that since it would render DEX-1 service without physically transporting gas, such charges are not applicable. However, the January 2 Order approved the proposal subject to Northwest filing an explanation and any necessary tariff revisions addressing why DEX-1 transactions should not be subject to such charges. The order noted that although DEX-1 service appeared to be rendered by displacement, all transportation service on the system, whether or not rendered by displacement, is subject to in-kind fuel reimbursement. Accordingly, the Commission expressed concern that DEX-1 service would have an unfair competitive advantage over other transportation services.

4. In the instant filing, Northwest proposes that DEX-1 service be subject to ACA and GRI surcharges where applicable, as well as the same in-kind fuel reimbursement percentage as its other transportation services. Northwest also proposes a second round of bidding on any portion of the offer remaining after the first round, or if no bids were received initially. Northwest states that in order to attract bids, it seeks authority to waive in-kind fuel reimbursement for any service awarded in the second round of bidding.²

5. The Commission will permit Northwest to waive fuel reimbursement when performing DEX-1 service under a negotiated rate agreement. However, consistent with previous Commission orders, Northwest must separately account for the full cost of any waived reimbursement. Northwest should not include such costs in its fuel tracker calculations so that recourse rate shippers do not subsidize negotiated rate shippers.³

6. Further, when DEX-1 service awarded in a second round of bidding is based on the recourse rate, Northwest may waive the fuel reimbursement charge provided it can demonstrate that the specific transaction can be rendered without using fuel for compression. Northwest is reminded, however, that if it waives in-kind fuel reimbursement for a recourse rate DEX-1 transaction, it must waive such charge, on a not unduly discriminatory basis, when requested to do so by any recourse-rate shipper whose transportation service can be rendered without the use of fuel for compression.

7. The January 2 Order also directed Northwest to explain how DEX-1 service is scheduled and curtailed, and whether it is firm or interruptible. In addition, Northwest was directed to explain whether it intended to charge and bill shippers on a monthly

²Rate Schedule DEX-1, Section 4 – Sheet No. 117.

³See, e.g., Columbia Gas Transmission Corporation, 92 FERC ¶ 61,080 (2000).

basis, or once on the basis of the total DEX-1 quantity. Finally, the order noted that Section 5.2 of Rate Schedule DEX-1 provides for Northwest to take title of any portion of the Deferred Exchange Quantity remaining at the end of the Deferred Exchange Period, and stated that the Commission has viewed similar provisions as penalties that should be credited to shippers under Section 284.12(c) (2) (v) of the Commission's regulations. The order stated that approval of this aspect of the proposal would be subject to review in Northwest's then pending Order No. 637 proceeding.

8. In compliance with the January 2 Order, Northwest revised Sheet No. 115 to state that DEX-1 service will be firm, subordinate only to firm storage withdrawal service at the Jackson Prairie Storage Project under Rate Schedule SGS-2F. Northwest also revised Sheet No. 116 to clarify that it will bill a DEX-1 shipper for the total amount owed under the contract in the month after the shipper delivers the Deferred Exchange Quantity to Northwest. Finally, in Northwest's Order No. 637 proceeding, the Commission noted that Northwest's tariff specifically identifies penalty revenues that will be credited to shippers. Accordingly, Northwest is directed to revise its tariff to state that the value of any gas to which it takes title pursuant to Section 5.2 of Rate Schedule DEX-1 will be credited to shippers through its penalty crediting mechanism.

The Commission orders:

A. The tariff sheets listed in the Appendix are accepted, effective January 1, 2002.

B. Northwest Pipeline is directed to make a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties

Northwest Pipeline Corporation
Docket No. RP02-116-001
Tariff Sheets Accepted, Effective January 1, 2002

Sub Eighth Revised Sheet No. 6*
Sub Fifteenth Revised Sheet No. 14*
Sub Second Revised Sheet No. 115
Sub Second Revised Sheet No. 116
Sub Third Revised Sheet No. 117
Sub Second Revised Sheet No. 118
Sub Eighth Revised Sheet No. 231*
Seventh Revised Sheet No. 231-A*
Third Revised Sheet No. 231-B*
Sub Original Revised Sheet No. 359
Sub Third Revised Sheet No. 360

All to FERC Gas Tariff, Third Revised Volume No. 1

* Indicates tariff sheet has been superceded.